



**State Council on Workforce Services**  
Budgetary and Organizational Status Report  
January 2010 Update

Utah Department of Workforce Services



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### DWS BUDGET UPDATE

On December 11, 2009, Governor Herbert released his FY2011 Budget Recommendations. <http://governor.utah.gov/budget/default.html>. That same day, he signed an Executive Order entitled: "Implementing a Statewide Budget Reduction through June 30, 2010." All executive branch departments are affected by these actions, and we'd like to briefly address the impact on the Department of Workforce Services.

#### **Governor's FY2011 Budget Recommendations**

The current year DWS estimated budget is \$1,319,340,700. Approximately 7% of this budget is state funds with over 90% of our budget from federal funds and unemployment insurance trust funds. The Governor has stated his intention to balance the state budget without tax increases. According to Governor Herbert's budget, DWS would receive an appropriation of \$68.4 million in General Funds for FY2011. This compares to the \$69.6 million (including \$3.2 million from one-time General Fund), we received for the current year, FY2010. Included in the FY2011 budget is an additional \$2.0 million for increased Food Stamp and Medicaid caseloads.

Funding for increased employee health care and retirement costs is included in Governor Herbert's budget, but the specific employee impact is not available yet. These items will be debated during the 2010 General Legislative Session. We will follow the activities as the session progresses.

#### **Executive Order: "Implementing a Statewide Budget Reduction through June 30, 2010"**

Statewide tax revenues for the current fiscal year are expected to be \$157 million less than previous projections. Through Executive Order, Governor Herbert has mandated a current year budget reduction "equivalent to a 3% cost of living adjustment." The Governor has not identified specific areas of reduction. Rather, he has left those decisions to each individual agency or department executive director. For our department, the Governor's 3% reduction is approximately \$911,000 and we are working to meet this mandate through management and administrative efficiencies, including departmental reorganization, elimination of financial incentives, and other operational streamlining.

The Executive Order also directs state agencies to implement cost savings measures such as placing limits and controls on out-of-state travel and conferences, reducing board and commission meetings where appropriate, utilizing teleconference technology, and implementing hiring restrictions. DWS has been in this cost-containment mode for some time now and has already implemented many of the strategies identified by the Governor's Office.



## PERFORMANCE AUDIT DWS ELIGIBILITY SERVICES

On December 22, 2009 the Office of the Legislative Auditor General presented a performance audit of the DWS Eligibility Determination Services. This summary provides a broad overview of the findings and the department's response. The audit raised several questions on the department's Random Moment Time Sampling (RMTS) method of tracking and allocating costs, and also focused on the closing and consolidation of certain DWS facilities. The audit also called for the Legislature to determine how to use the \$16 million that was appropriated for the TANF MOE but will not be needed.

### RMTS-Cost Allocation

*DWS should exclude all eligibility workers that determine eligibility for one program from the RMTS pool.*

**We concur.** Select eligibility specialists could direct charge their services and be taken out of the RMTS pool.

*DWS should train all eligibility workers in the RMTS pool how to respond to inquiries accurately and timely and management should refrain from encouraging eligibility workers to respond to certain programs if they are unsure of what they are doing*

**We concur.** Current policy encourages eligibility workers to respond as soon as possible. DWS currently provides new employee and ongoing training. In addition, RMTS training will be mandatory annual training for all staff in the RMTS pool, including supervisors.

*DWS should modify its cost allocation plan for outreach eligibility workers who only determine eligibility for medical assistance programs. DWS and the Department of Health (DOH) should reassess the amount that DWS could be reimbursed for CHIP eligibility determination costs in order to maximize federal funds.*

**We concur.** We concur in principle where individuals are working on one program. The department is willing to investigate the reimbursement options with DOH.



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### **Buildings Facility Consolidation**

*DWS management should determine the feasibility of downsizing or eliminating buildings and facilities and should regularly evaluate the need for all buildings.*

**We concur.** DWS began with 106 locations and has reduced its physical presence to 48 facilities, 34 of which are employment centers. As part of DWS' Demand Driven initiative, the agency will regularly reassess infrastructure needs and costs in light of customer-driven solutions and efficiencies. The department is actively reviewing leases of all its facilities.

### **TANF Maintenance of Effort (MOE) Appropriation**

*The Legislature should determine how to use the \$16.1 million that was appropriated for the TANF MOE but will not be needed.*

**We disagree.** From the onset, DWS informed the LFA of this matter. Further, this statement is incorrect when it states funding will not be needed. The funding has been and will be used to address caseload growth.

DWS is confronted with fluctuating, challenging economic variables, and needs the ability to effectively manage caseloads in a cost-effective manner without compromising structural efficiencies and organizational integrity. DWS is committed to sound budgeting practices, minimal administrative cost and optimal service delivery.

This summary has addressed the salient points of the Audit Report; the complete report with the department's response is available for any council member who may want to review the entire document. Contact: Diane Lovell [dianelovell@utah.gov](mailto:dianelovell@utah.gov)



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### **WIA TRAINING FUNDS**

Although WIA training funds were enhanced with ARRA stimulus funds this year, with the remarkable increase in the number of customers seeking WIA training services (Adult, Dislocated Worker and Youth) the department was forced to stop taking applications for WIA funded training (both regular funding and ARRA stimulus) in November 2009. We are continuing to serve the customers that were enrolled prior to November. We currently have 2,037 adults, 2,223 dislocated workers receiving training in comparison to a year ago where we had 865 adults and 529 dislocated workers. For youth, we currently have a total of 1,999 being served with both regular and ARRA stimulus funding, compared to a year ago where we had 907 youth. We have sufficient funds to continue to provide services and to support the training needs of the customers currently enrolled.

It is important to note that although WIA is our largest customer training resource, training opportunities remain for eligible customers under the Family Employment Program (FEP) and TANF Non-FEP. There are also funds available for customers that are approved under a Trade impacted layoff.

Our plans are to continue to closely monitor the program and expenditures over the next few months and prepare to open enrollments for new customers with funding we'll receive in July.



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### **GENERAL ASSISTANCE (GA) PROGRAM**

We reported to the Council in December that General Assistance (GA) Program enrollments would cease in January, due to funding limitations. At that time, we also indicated that we would explore additional cost-saving measures in order to continue to serve existing customers through June 30, 2010. To that end and in an effort to create consistency and efficiency across the state, all GA cases will be assigned to one statewide GA team and case management services will be conducted over the phone. Most GA customers are pursuing long-term Social Security benefits. We believe the transfer of all GA cases to one specialized case management team will better facilitate the complicated SSI/SSDI application and disability determination process.

As background, the GA Program is state funded and provides time limited services to disabled single adults and married couples without dependent children. Many are homeless. To be eligible for GA, the disabled individual must provide evidence from a certified health care provider to confirm that they are not be able to perform any work activities. Approximately 80% of the current caseload have a physical or mental health impairment that prevents them from working for 12 months or longer and are likely eligible to receive social security benefits. The other 20% have a disability that will last less than 12 months. The current year program funding was cut from \$8 Million to \$5.1 million and DWS has taken steps to preserve the services and operate the program within appropriated funding.

In May 2009, DWS, in partnership with community based organizations and advocacy groups, reviewed the GA program and made recommendations on how to serve our customers more efficiently within the limited funding available. As a result, the program was redesigned and in August, approximately 475 GA cases closed due to stricter time limits.



## **DEMAND DRIVEN ORGANIZATIONAL RESTRUCTURING**

### **Vision and Where We Are**

A little over a year ago, DWS launched a restructuring effort aimed at re-designing our operational systems and service delivery processes. The first phase of our restructuring involved the creation of the new Eligibility Services Division in June 2009. This division includes over half of the department (approximately 1,000 staff) who provide eligibility support for customers in need of supportive services and public assistance.

With our eligibility division in place, we continued to assess our workforce development operations and this past spring, we outlined a new strategic vision for the organization - the demand driven approach to focus on the crucial workforce development aspect of our mission.

This new vision – workforce development driven by employer demand – will transition the agency beyond the current supply driven approach to create an employment services organization driven by employer need. In order to achieve success and add value to the Utah economy, we must acquire a deep understanding of labor markets and educational resources. Solid relationships with industry partners and collaboration with educational institutions are keys to success. The objective is to connect job seekers with resources that will prepare them for good paying jobs that lead to self-sufficiency.

Significant design work has been completed and will continue within the following timeline.

June – September 2009	Phase I Data Gathering, Outreach and Initial Design
October – February 2010	Phase II Planning, Operational Processes and Systems Development
March – June 2010	Phase III Initial Implementation, Leadership Deployment
July 2010 & Forward	Full Implementation





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The foundation of the demand driven organization is being built around these fundamentals:

### **Guiding Principles for Demand Driven Structure:**

- Meet industry needs
- The new organization cost not exceed the “as is”
- A “flattened” organization
- Local flexibility and accountability

**Economic Service Areas:** Nine Economic Service Areas were identified through detailed analysis of labor markets (defined by work location and commuter patterns), location of educational institutions, and concentration of industry. (*Map Attached*)

**Economic Service Area Management Structure:** The service area director will be responsible for employment center/one stop operations and achieving the demand driven goals of the service area. In rural areas of the state, more than one service area will be consolidated under one director. Six directors will be appointed in March to manage the nine service areas.

We are heavily involved in Phase II of the Demand Driven design, and the department has been working during recent months to build a new, responsive and flexible operational structure. Several staff working groups have been chartered to examine processes and systems, and appropriate structures for the new organization in the following areas: Up Front Services, Career Assessment, Menu of Services, UI and Employment Services Integration, and Program, Policy and Training.

### **What is Changing?**

In consideration of the foundational guidelines outlined above and the work that has been completed, we know there will be substantial changes in the department’s structure and the way we offer services. The more critical changes that impact our Council system include:

1. Employer as our primary customer – moving away from a supply driven system
2. Job training priorities to be based on industry needs
3. Nine New Economic Service Areas
4. More local (Economic Service Area) flexibility
  - Economic Service Areas will identify local targeted industries and occupations in demand
  - Economic Service Areas will develop local workforce plans and solutions to industry and employer needs



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- Service Area Directors will be expected to organize and nurture local strategic industry partnerships to address workforce needs
- Industry Partnerships (with appropriate stakeholders such as education, rehabilitation, local government, economic development) should be formed around a specific project with clear outcomes and timelines

### Call to Action

During the next 6 to 9 months the department, in coordination with the State and Regional Councils, will be looking at how the current regional council system fits into the new demand driven organizational structure. The State Council role is dictated by federal statute and will remain largely unchanged; however, under the new Economic Service Area structure, we have an opportunity to design a more flexible, employer responsive advisory system that will better support the new demand driven organization and workforce development goals. Current Regional Councils will continue to play an important role during the next year - helping to identify workforce priorities, helping to determine occupations in demand and helping to plan strategies and pathways that connect local workers to jobs.

In the meantime, the State and Regional Councils have existing sector-based plans and ARRA deliverables to carry out through the end of the fiscal year. Those ARRA deliverables are designed to support a targeted industry/occupations strategy. The Councils are advised and encouraged to identify one or two key projects (within the ARRA deliverables) to work on between now and June 30, 2010. As the deliverables are worked on, regions should continue to assess their local economies, identify current and projected occupations in demand and identify workforce development priorities to focus on in the coming fiscal year.



## DWS Economic Service Areas

